Security Cooperation Overview

December 2014

Frank D. Kenlon
Professor of International Acquisition (Intermittent)
Defense Systems Management College – International Dept
Frank.Kenlon@dau.mil, (410) 610-5040

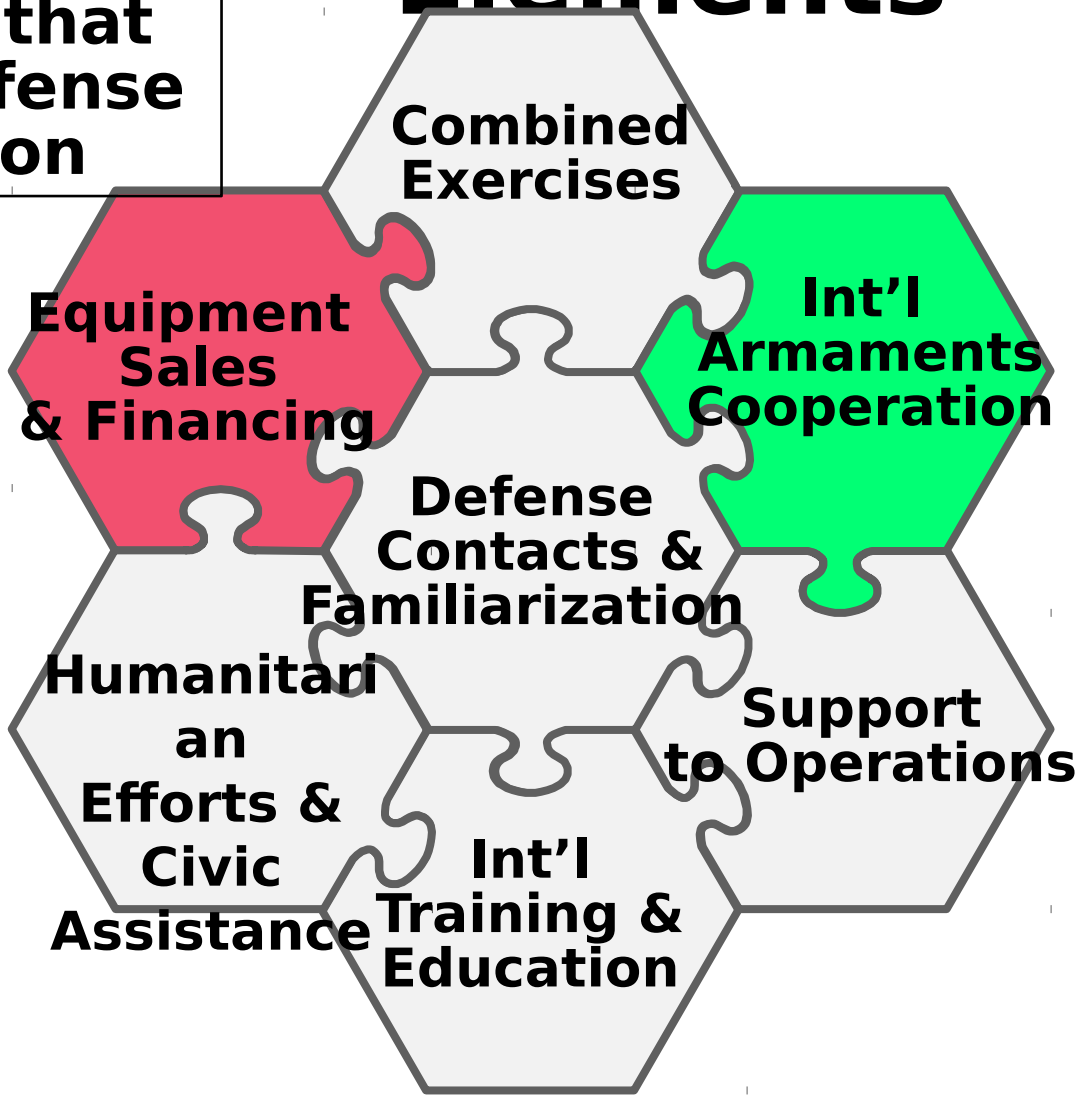
Security Cooperation

All DoD interactions with foreign defense establishments to build defense relationships that promote specific US security interests, develop allied and friendly military capabilities for self-defense and multinational operations, and provide

Security Cooperation is a DoD Term (Joint Pub 1-02)

Security Cooperation Elements

Elements that involve defense acquisition



Benefits

FMS

- Economies of Scale
  - Production
  - Operations & Support
- Maintain hot production base
- Share sustaining engineering costs
- Share production line shutdown costs
- Share RDT&E costs
- Share production non-recurring costs

DCS

ICP

Key Legislation

Title 22 Legislation

- **Arms Export Control Act (AECA)**
  - **Foreign Military Sales (FMS)**
  - **Direct Commercial Sales (DCS)**
  - **Cooperative Programs**
- **Foreign Assistance Act (FAA)**
  - **Grant Aid**
  - **International Military Education and Training (IMET)**
  - **Excess Defense Articles (EDA)**

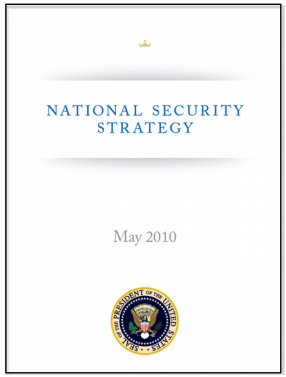
Title 10 Legislation

- **Building Partner Capacity (BPC)**
- **Cooperative RDT&E**
- **Acquisition and Cross Servicing Agreements (ACSAs)**

Strategic Guidance

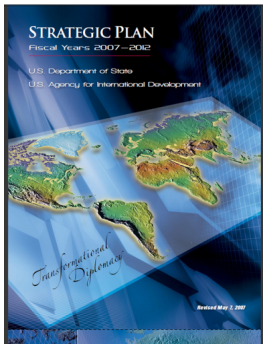
National Security Strategy

- **Strengthen alliances** to defeat global terrorism
- **Work with others** to defuse regional conflicts
- Develop agenda for **cooperative action** with other centers of global power

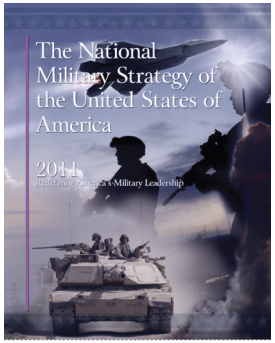


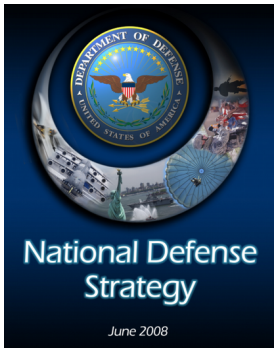
DoS/USAID Strategic Plan

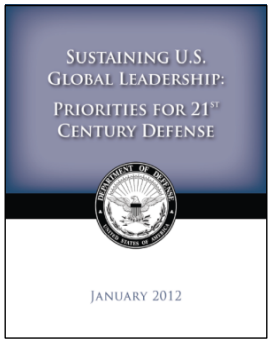
- Counterterrorism
- Reduce/Eliminate WMD
- Promote conflict prevention & resolution
- Conduct **security cooperation** & security sector reform
- Support national efforts to address complex security challenges
- **Deepen security relations** with our allies and **create opportunities for new**



National Military Strategy







National Defense Strategy

- Shape the choices of key states
- **Strengthen & expand alliances and partnerships**
- Secure U.S. strategic access & retain freedom of actions

Strategic Guidance for DoD

- Challenging global security environment
- **Delicate balance between available resources and security needs**
- Maintain

Security Cooperation/ International Acquisition Mechanisms

Mechanism	Security Assistance	International Armaments Cooperation	Direct Commercial Sales (DCS)	Building Partner Capacity (BPC)
Requirement	Foreign Customer	Mutually Determined	Foreign Customer	DoD Determined
Relationship	Buyer-Seller	Partner	Buyer-Seller	Provider-Receiver
Form of Agreement	Foreign Military Sales (FMS) Letter of Offer and Acceptance (LOA)	International Cooperative Program (ICP) Agreement	Export License & Industry Contract(s)	Psuedo-LOA
Funding	Foreign Customer	Equitably Shared	Foreign Customer	DoD
Program	DoD	Joint	Foreign	DoD IA

Implemented by different organizations under various laws and procedures

Security Assistance Programs

Security Assistance is a State Department Program

Program Administration Responsibilities

Department of Defense

- Foreign Military Sales (FMS)
- Foreign Military Financing Program (FMFP)
- Int'l Military Education & Training (IMET)
- Foreign Military Construction Services (FMCS)
- Leases
- Drawdowns

Department of State

- Peacekeeping Operations
- Int'l Narcotics Control & Law Enforcement
- Nonproliferation, Antiterrorism, Demining, and Related (NADR)

US Agency for Int'l Development

- Economic Support Fund (ESF)

International Armaments Cooperation (IAC)

- Cooperative research, development, and acquisition projects and programs
- Enabling Programs
  - Personnel exchange (ESEP & APEP)
  - RDT&E Information Exchange Program (IEP)
  - International Cooperative R&D (ICR&D) program
  - Coalition Warfare Program (CWP)

Direct Commercial Sales (DCS)

- Sale of defense articles, services, or training made or provided by U.S. defense industry to a foreign entity
- Not administered by DoD and do not involve a government-to-government agreement
- Foreign entity contracts directly with U.S. company
- USG control procedure is accomplished through licensing

Building Partner Capacity (BPC)

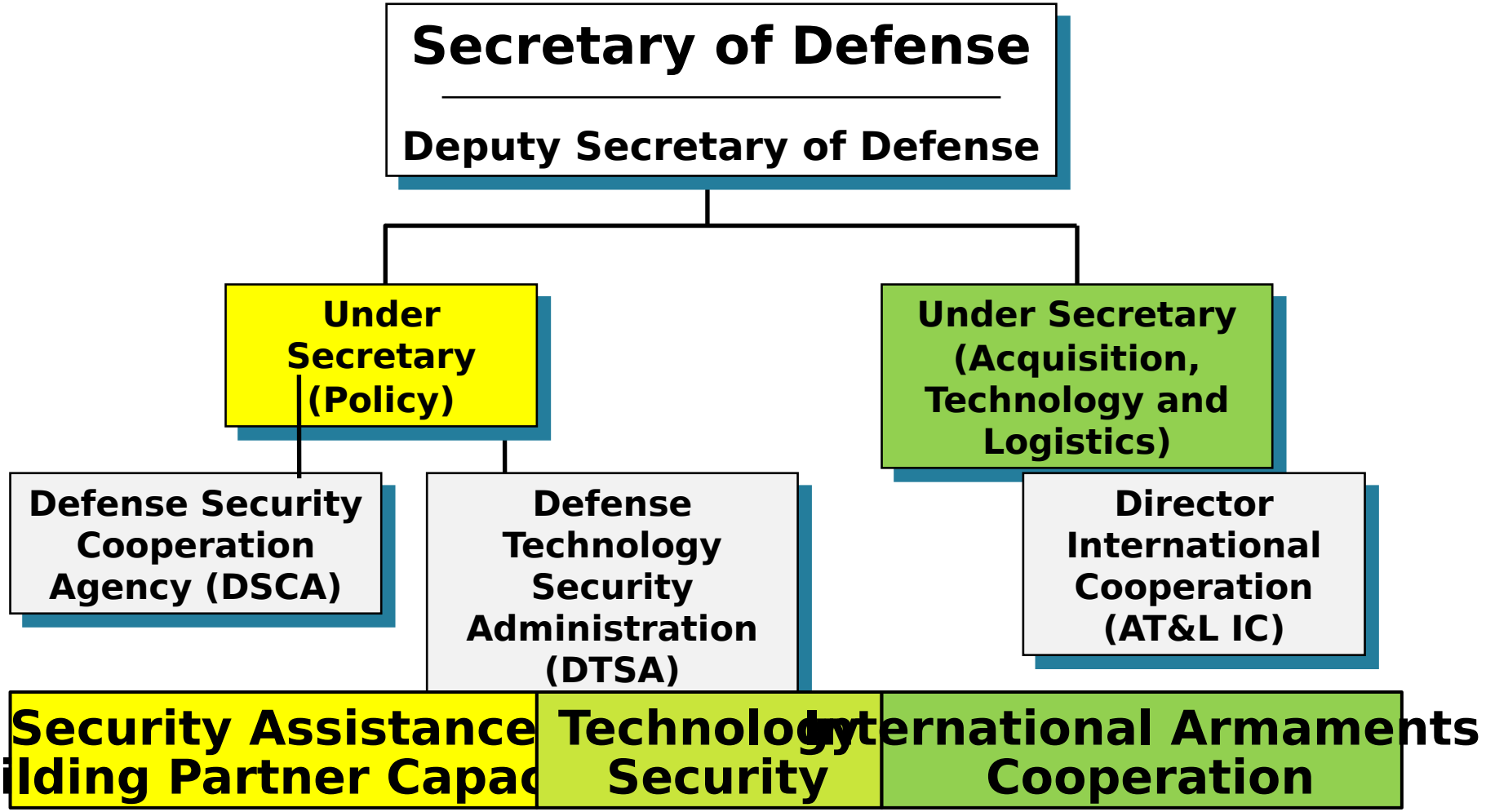
- Title 10, DoD Security Cooperation programs executed through the FMS infrastructure
- Differences from traditional FMS
  - USG Requesting Authority identifies requirement
  - Funded by the USG
  - "Pseudo"-LOAs are not signed by country
  - Title transfers in country
  - Must transfer under multiple legal authorities

f programs and BPC policies are contained in Chapter 15 of the

International Acquisition & Exportability (IA&E)

New term used in interim DoDI 5000.02

OSD Oversight



TSFD and Export Control Basics

Fundamental Security Considerations

Access + **Protection**

Release Conditions

- Not transfer or use for other purposes without U.S. consent
- Provide substantially the same degree of protection as USG

Type of USG/DoD Authorizations

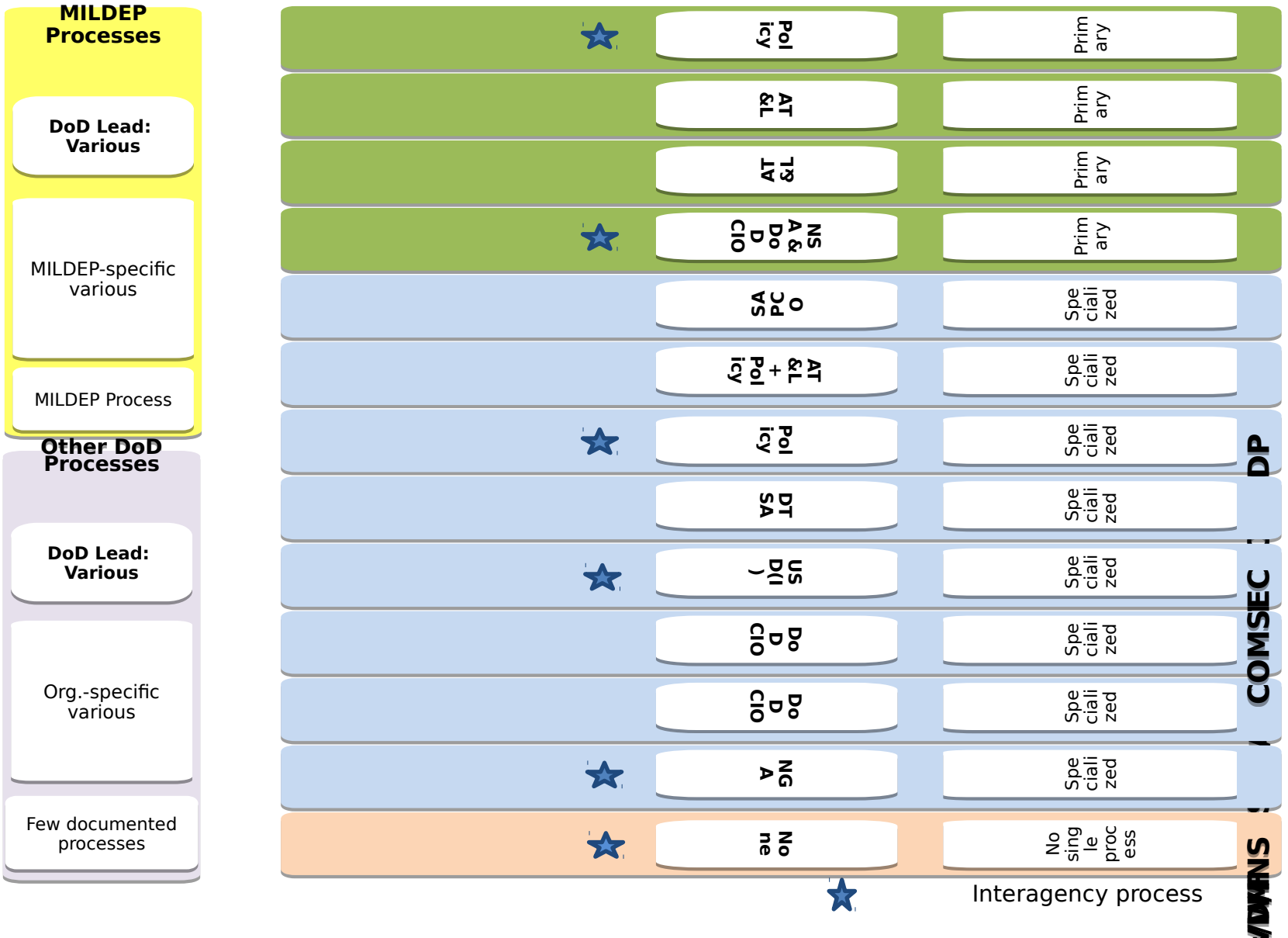
TSFD | **Export** | **Foreign Visits**

USG/DoD TSFD Authorizations

- Internal MILDEP proces
- Four primary DoD proc
- Eight specialized DoD p

- All running independently under leadership of different offices
- Required for FMS and cooperative programs; prerequisites to Export License approval for DCS

USG/DoD TSFD Processes

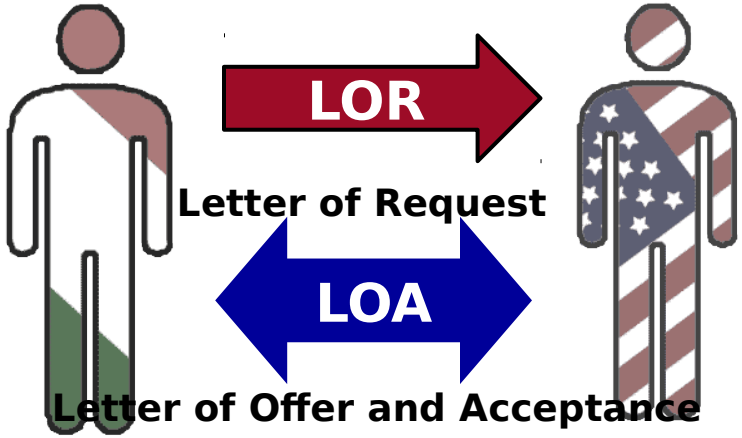


TSFD Oversight

- **Arms Transfer and Technology Release (ATTR) Senior Steering Group (SSG) established in DoDD 5111.21:**
  - **Overarching DoD authority to ensure clear senior-level direction**
  - **Serves as appeals board and mediation body**
  - **USD(P) & USD(AT&L) co-chairs with interagency participation**
- **TSFD Office (TSFDO) also established in DoDD 5111.21:**
  - **ATTR SSG Executive Secretariat and assesses/recommends changes to policies**

Backup Charts

Foreign Military Sales (FMS)



Foreign Government

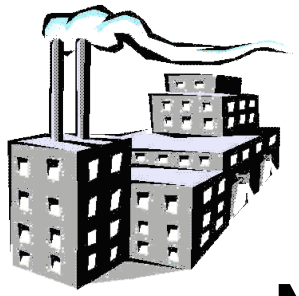
U.S. Government

From Stock

Requisition

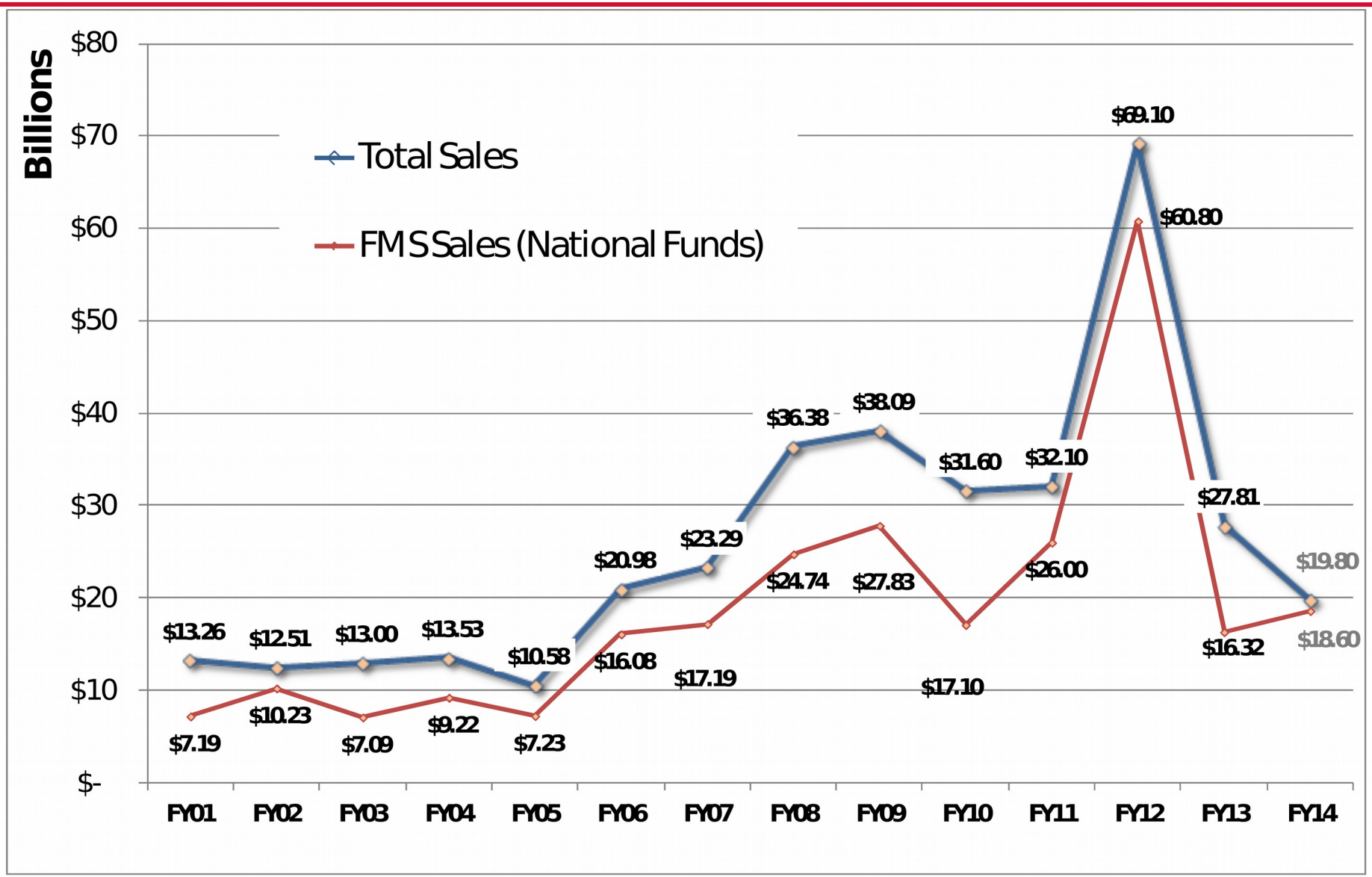
Contract

Services, Information, or New Production



- **Sale of U.S. defense equipment/services by U.S. Government**
- **Buyer-seller relationship**
- **Foreign Funds (or U.S. grants/loans) with administrative surcharge**
- **Conducted under State Department Title 22 authority**

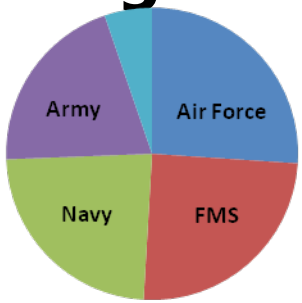
Foreign Military Sales Trends



The Scale of FMS

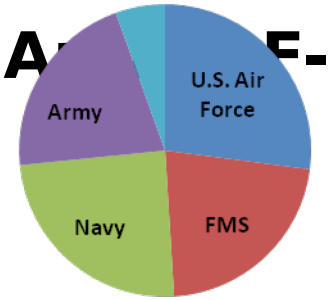
FMS and Service Procurement: 5 Year Average

- **Average annual procurement budget over last 5 years (FY09-13):**



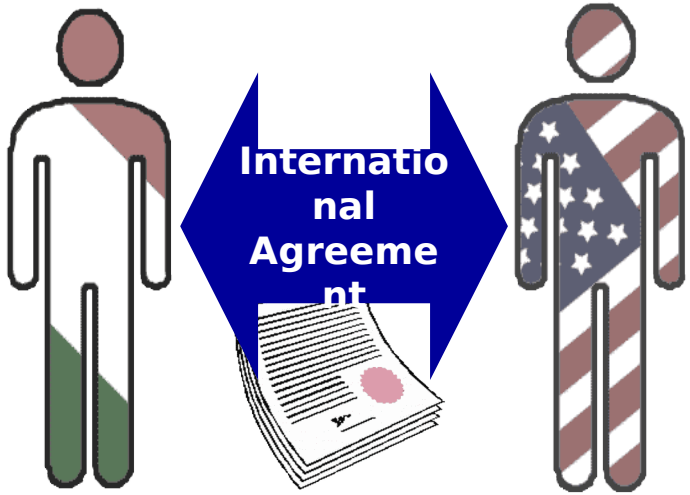
#1. $41.6 Billion USAF
#2. $39.7 Billion FMS
#3 $37.5 Billion U.S. Navy
#4 $32.4 Billion U.S. Army
#5 $8.4 Billion USMC

- **If we remove the FY12 Saudi A[illegible]F-15 sale and recalculate:**



#1. $41.6 Billion USAF
#2 $37.5 Billion U.S. Navy
#3 $33.7 Billion FMS

International Cooperative Program



Foreign Government(s)

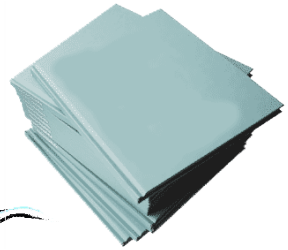
U.S. Government

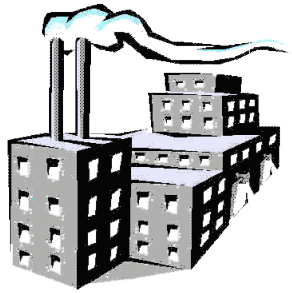
Work

U.S. and/or Foreign Government Activity

Contract

U.S. and/or Foreign Industry





Service,

Information,

or

New Production

- Acquisition or technology project in any Defense Acquisition Management System phase
- Partnering relationship
- Jointly managed
- Costs, benefits, risks shared equitably

Acquisition Strategy

“Program management is responsible for integrating international acquisition and exportability considerations into the program’s Acquisition Strategy at each major milestone or decision point. Program management will consider the potential demand and likelihood of cooperative development or production, Direct Commercial Sales, or Foreign Military Sales early in the acquisition planning process; and, where appropriate, program managers will pursue cooperative opportunities and international

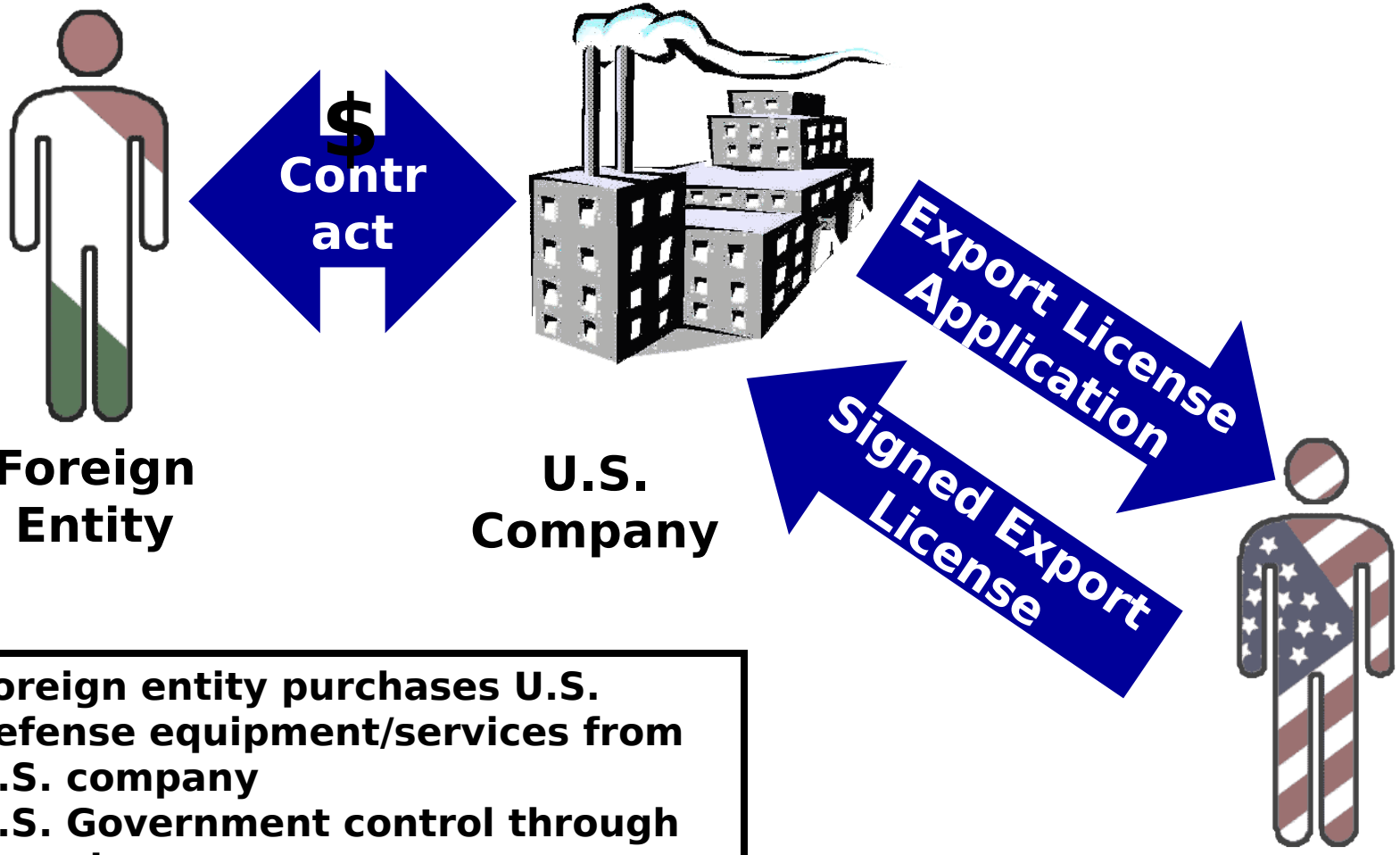
Interim DoDI 5000.02 (Enclosure 2, paragraph 10)

Allied Interoperability

- Equipment procured for U.S. forces employed in NATO, other allied, and coalition operations must be standardized or at least interoperable with equipment of allies and coalition partners
- DoD complies with U.S.-ratified International Standardization Agreements to maximum extent feasible, subject to systems engineering tradeoffs
- Program Managers to pursue opportunities throughout the acquisition life cycle that enhance international cooperation and improve interoperability

DoDI 2010.06, *Materiel Interoperability and Standardization with Allies and Coalition Partners*

Direct Commercial Sales (DCS)



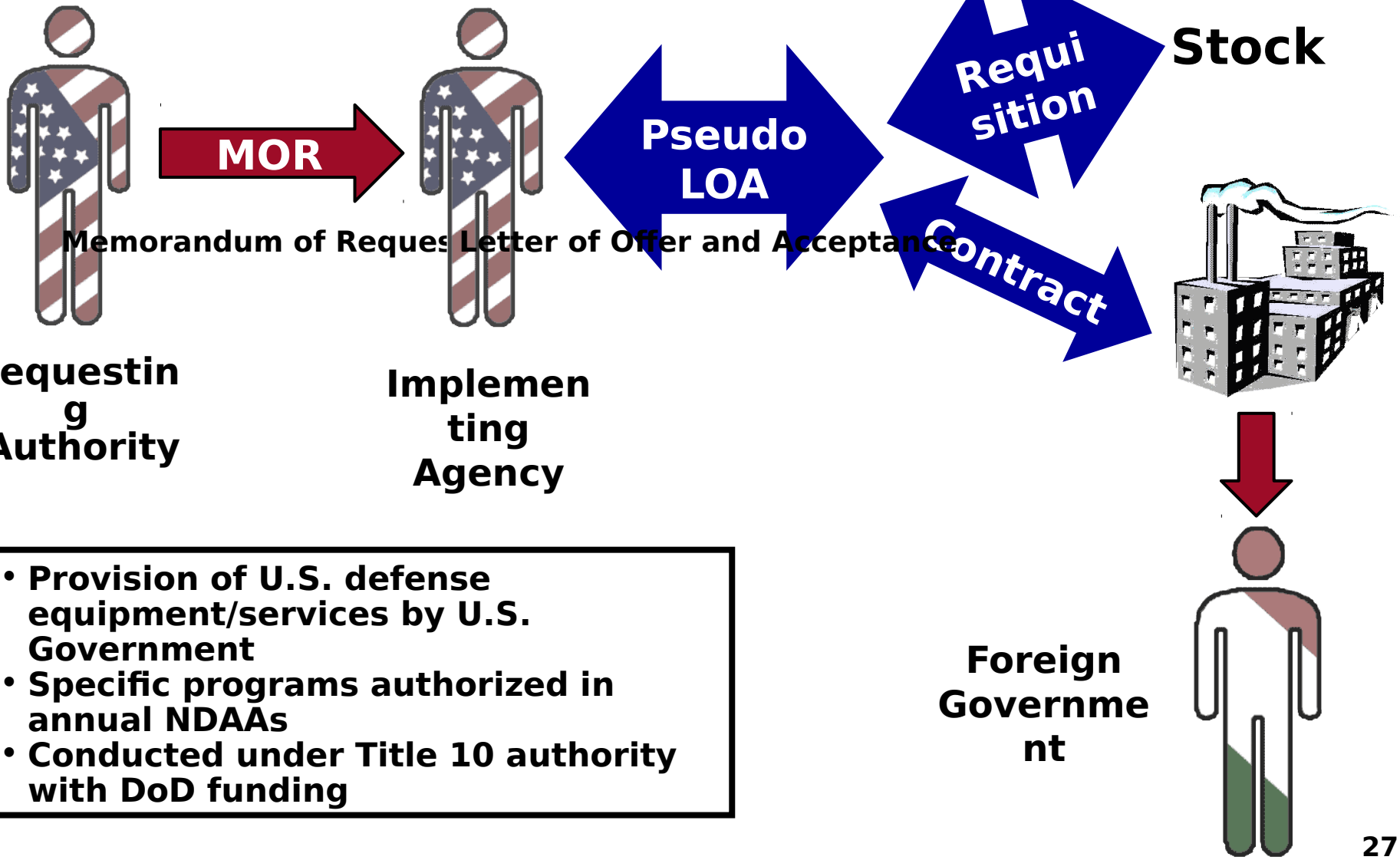
- Foreign entity purchases U.S. defense equipment/services from U.S. company
- U.S. Government control through licensing
  - Department of State for military items
  - Department of Commerce for

FMS vs DCS

- DoD is generally neutral whether a foreign country purchases through FMS or DCS
- Certain items can be designated FMS only; based on complexity, sensitivity, interoperability, relationships
- Most major system DCS programs will have an FMS companion effort for FMS-only items (i.e. a hybrid program)

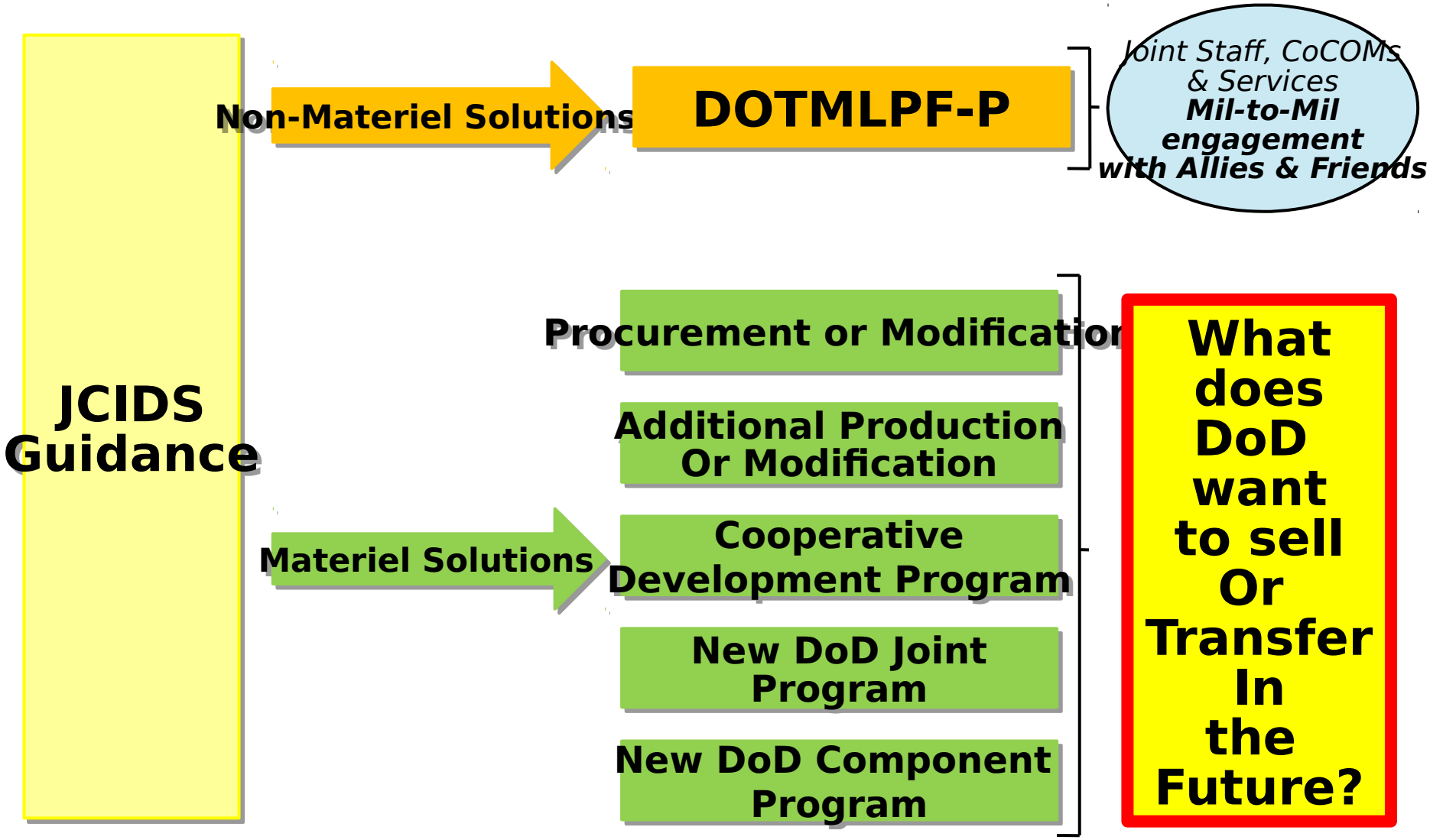
Managers should monitor program contractors' marketing

Building Partner Capacity (BPC)

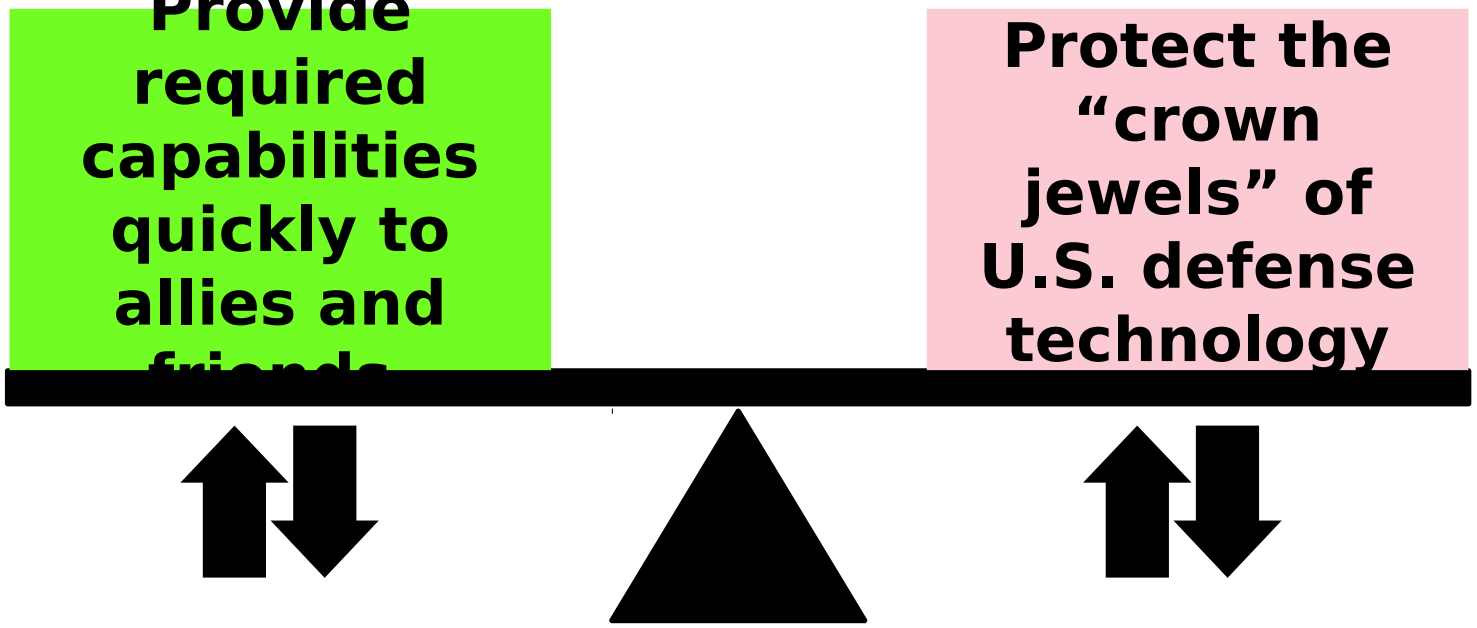


- Provision of U.S. defense equipment/services by U.S. Government
- Specific programs authorized in annual NDAAs
- Conducted under Title 10 authority with DoD funding

Defense Exportability "Headwaters"



Defense Exportability Dilemma



How can the USG/DOD best balance these two competing demands?

Where does the money come from needed accomplish these goals?

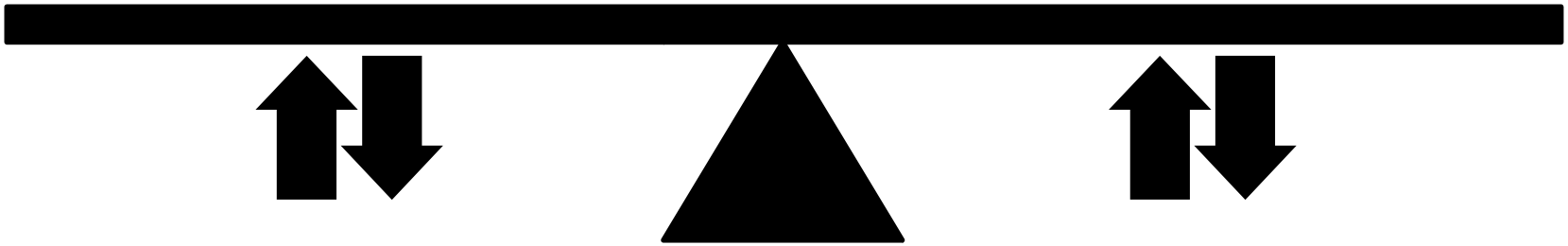
How Many Configurations?

Few

- Simpler design and test
- Simpler production and logistics
- Easier upgrades
- More affordable

Many

- Greater customer choice
- Treats countries differently
- Tailored logistics and upgrades
- More expensive



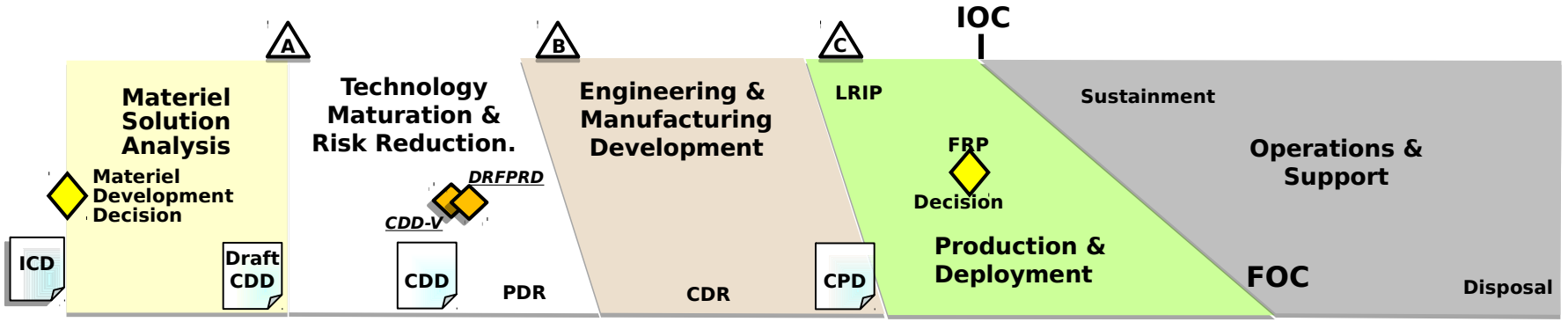
DoD and partner/customer nations must compromise to achieve optimal outcomes for all
(easy to say, hard to do)

Defense Exportability Features (DEF) Pilot Program

- **FY11 NDAA directed SECDEF to carry out a pilot program to develop and incorporate technology protection features in a designated system during the R&D phase of such system."**
- **Program Scope/Status**
  - **Identify MDAPs for which there is significant anticipated export demand and whose technical aspects are amenable to DEF**
  - **Pilot program to provide funding to evaluate exportability and facilitate planning for, design, and incorporation of exportability features during RDT&E**
  - **AT&L selects candidate programs from MILDEP nominations**
- **FY12 NDAA change**

Defense Exportability is Part of BBP 2.0

Defense Exportability Activities



Activities Require MDA Approval

Exportability Assessment	Exportability Feasibility Studies	Exportable Designs	Exportable Version Production	Exportable Version Depot & Spares
• Projected sales • Technology complexity	• Conducted with program contractor • Included in TMRR contract • Funded by program or DEF PE • Industry provides 50%	• Funded by program, cooperative program or customer, or industry (or combination) • May be multiple configurations	• Funded by customer • May be multiple configurations	• Funded by customer